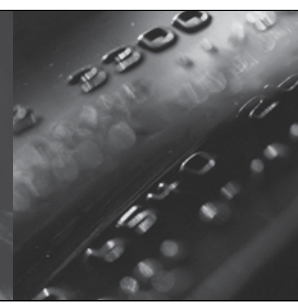
A STRATEGY PAPER FROM CENTER FOR DIGITAL GOVERNMENT

A Question of Stewardship:

Considering the Policy and Economic Implications of Credit-based Automobile Insurance Scoring on State Governments and their Constituencies





At Issue: Discrimination & Displacement

In the last decade, insurance underwriting decisions have increasingly been informed by and based on credit reports. This decision-making process has prompted concerns about potential discrimination, along with concerns about the displacement of public records when assessing driving-related risk.[1] The fact is that driving history records remain the most accurate and available indicators of automobile insurance risk.

In 1996, statistical modeling for insurance scoring in automobile underwriting was introduced. Since its introduction, all but one state legislature has introduced provisions to mitigate the threat of discrimination or inequitable treatment in this model. The sleeper issue in the rise of insurance scoring is the displacement of driving histories in favor of credit histories — or, seen more broadly, the displacement of public records with commercial records, which were created for different purposes and with different expectations under the law. The shift comes at a cost. Lost in the discussion is the level of economic harm to public treasuries, as income related to public record access fell by nearly 25 percent in some jurisdictions.[2]

This policy briefing, one in an occasional series on stewardship issues from the Center for Digital Government, begins to redress that oversight by considering the implications of this shift. The paper does so by examining three questions about the use of credit-based insurance scoring: whether, under what circumstances and with what effect on state governments' fiscal posture and operations, credit-based insurance scoring is being used.

Introduction: Devaluing the Public Record

This policy briefing provides a 50-state review of statutory provisions to authorize, restrict or otherwise limit insurance scoring as part of automobile underwriting, in order to understand the potential policy and fiscal implications for state governments.

The risk is twofold: first, the displacement of driving history records by credit history records shifts the decision point from a record that directly reflects an individual's experience on the road, with one that indirectly reflects other behaviors and choices. At issue are the relevance, accuracy, timeliness and completeness of the underlying data. Second, the loss of value of public records as a tradable commodity is a bottom line issue for government budgeting. Importantly, the revenues from the sale of driving records (or, more properly, the sale of access to them) support the provision of vital public services and offset certain operational expenses for state governments.

Background: Changes in Technology & Business Practices

As keepers of the public record[3], government is the steward of the unique, authoritative records to which many others refer. Government's stewardship responsibilities include using public records to ensure:

- transparency of and accountability for its actions,
- equitable treatment of individuals under the law,
- the compliance of regulated industries with statutory requirements, and
- the efficacy of meeting its public mission (including but not limited to public safety).

The public mission of ensuring road safety was the original impetus for states to permit insurance companies access to driving history records. Indeed, insurance companies have long relied on driving histories as accurate predictors of future behavior, such that an individual's own record informs the insurance company's risk assessment and attendant rate-setting. Noting that "[p]ublic driver records are used by government and non-government users to assess drivers' future crash risks," a 2004 study by researchers from the Insurance Institute for Highway Safety affirmed, "Research has shown that one of the best predictors of a driver's future crash risk is the number of prior moving traffic violations (e.g., speeding)."[4]

In the last 10 years, public records have become more malleable, more available and more valuable as paper has been displaced by digital media. So too have credit history records. That has made it possible for the insurance industry to explore the relationship between certain credit characteristics such as bankruptcy, late payments and too many lines of credit against high casualty insurance losses. Insurance scoring is based on the industry's experience with an apparent correlation between credit records and the tendency to file claims and incur loss for the casualty underwriter.

Based on that correlation, a data-driven inflection point in the late 1980s and early 1990s changed the insurance industry with the simultaneous analysis of personal credit histories and conventional risk data (such as driver and auto information derived primarily from public records). The introduction of credit history data into a multivariate risk scoring[5] approach had the immediate effect of creating new industry services that were able to more accurately predict risk and set competitive rates and premiums accordingly. In fact, a leading provider of insurance scores introduced statistical modeling for auto insurance underwriting in 1996.[6] One decade later, at least 90 percent of insurance carriers are using credit information in auto underwriting.[7]

While the multivariate data models are treated as industry-confidential or proprietary in the competitive insurance market, they share a common purpose — looking at past performance to predict future casualty insurance loss. These statistical predictions of the future rely on "causation between financial behavior and future loss." Moreover, the underlying model assumes that a lower credit score implies a "higher … loss ratio and … higher … claims frequency."[8]

This history of changes in technology and business practices collided with public policy concerns around privacy and civil liberties; this collision has helped shape the current legislative landscape across the 50 states.

A 50-State View: The Insurance Scoring Landscape

This section provides a high-level, 50-state legislative overview of the degree to which states have authorized the use of credit report histories for the purposes of casualty insurance underwriting, and the safeguards put in place to mitigate against individuals and groups being unfairly disadvantaged.

Figure 1 summarizes a review of state statutes and regulations by the Center for Digital Government, using primary and secondary sources. The chart is not intended to comprehensively capture the subtleties of each state statute, but rather, to reflect the primary characteristics of the legal framework in which insurance scoring takes place.

The landscape view makes it clear that state approaches remain as unique as their respective histories and priorities. The at-a-glance summary is also helpful in answering the first two public policy questions considered by this briefing paper:

Whether: Should insurance scoring be authorized for underwriting purposes?

How: If the answer to the first question is yes, under what circumstances should insurance scoring be authorized?

These questions, and a third about the effect of these practices on state governments' fiscal posture and operations, will be discussed in turn.

Figure 1:
50-State View of Insurance Scoring Provisions

	Question1: Whether?				Question 2: Under What Circumstances?													
	1. Legislative Action	2. Based on Insurance Industry-Supported Model*	3. Specific Statutory Authority	4. Blanket Prohibition	1. Limitations & Regulations	2. Restriction on Credit Records as Sole Source	3. Non-Renewal Restriction	4. Underwriting Restriction	5. Rate Selling Restriction	6. Discrimination Protection	7. Catastrophic Event Protection	8. Notification at Application	9. Notice Upon Adverse Action	10. Dispute Resolution/Appeal	11. Filing Requirements	12. Filing of Underwriting Models	13. Actuarially of Sound Test	14. Data Refresh Requirement
Alabama	●	●			●	●				●		●	●	●	●			
Alaska	●				●		●					●	●	●	●	●		
Arizona	●		●		●			●					●					●
Arkansas	●				●	●						●	●	●	●	●		●
California	●		●						●									
Colorado	●	●	●		●	●			●	●		●	●	●	●			●
Connecticut	●				●	●			●				●	●	●	●		
Delaware	●	●			●							●	●	●	●	●		
Florida	●	●			●	●					●	●	●	●	●	●	●	●
Georgia	●	●			●	●				●		●	●	●	●		●	●
Hawaii	●			●														
Idaho	●		●		●	●												
Illinois	●	●			●	●	●				●	●	●	●	●	●	●	●
Indiana	●	●			●	●				●		●	●	●	●	●		●
Iowa	●	●			●	●				●		●	●	●	●			●
Kansas	●	●			●	●				●		●	●	●	●			●
Kentucky	●	●			●	●	●			●								
Louisiana	●	●			●	●				●	●	●	●	●	●	●		●
Maine	●	●	●		●	●	●		●	●		●	●	●	●	●		●
Maryland	●		●		●		●	●	●			●	●	●	●	●		●
Massachusetts	●		●										●	●				●
Michigan	●									●		●	●	●	●	●		●
Minnesota	●		●		●			●			●	●			●			
Mississippi	●	●			●	●				●		●	●	●	●			
Missouri	●				●							●	●	●	●			

* Includes all-state use of insurance industry-supported (NCOIL) model; full, partial or proposed. Center for Digital Government, 2006.

Figure 1: continued

	Question1: Whether?				Question 2: Under What Circumstances?													
	1. Legislative Action	2. Based on Insurance Industry-Supported Model*	3. Specific Statutory Authority	4. Blanket Prohibition	1. Limitations & Regulations	2. Restriction on Credit Records as Sole Source	3. Non-Renewal Restriction	4. Underwriting Restriction	5. Rate Selling Restriction	6. Discrimination Protection	7. Catastrophic Event Protection	8. Notification at Application	9. Notice Upon Adverse Action	10. Dispute Resolution/Appeal	11. Filing Requirements	12. Filing of Underwriting Models	13. Actuarially of Sound Test	14. Data Refresh Requirement
Montana	●		●		●	●				●			●					
Nebraska	●	●			●					●		●	●	●	●			●
Nevada	●	●			●					●		●	●	●				●
New Hampshire	●		●		●					●		●	●	●	●	●		●
New Jersey	●		●		●	●				●	●	●	●		●	●		
New Mexico	●				●					●	●				●	●		●
New York	●	●			●					●		●	●	●	●			●
North Carolina	●	●			●	●								●				
North Dakota	●	●			●	●				●		●	●	●	●			●
Ohio	●				●	●		●		●		●	●	●		●		
Oklahoma	●	●			●	●				●		●	●	●	●			●
Oregon	●	●			●	●	●			●		●	●	●	●	●		
Pennsylvania	●																	
Rhode Island	●	●			●	●		●				●	●	●	●	●		●
South Carolina	●				●	●				●	●	●		●	●		●	●
South Dakota	●				●	●		●										
Tennessee	●	●			●	●				●		●	●	●	●			●
Texas	●	●	●		●	●					●	●	●	●	●		●	
Utah	●				●	●	●					●	●			●		
Vermont																		
Virginia	●	●			●	●				●	●	●	●	●	●	●		●
Washington	●		●		●	●	●	●		●			●	●	●	●		
West Virginia	●	●	●		●	●				●		●	●	●	●			
Wisconsin	●				●	●				●		●	●	●				
Wyoming	●				●	●				●			●					

* Includes all-state use of insurance industry-supported (NCOIL) model; full, partial or proposed. Center for Digital Government, 2006.

The Questions: Whether, How & To What Effect?

1) ***Whether:*** *Should insurance scoring be authorized for underwriting purposes?*

By their actions, state legislatures have answered the question of whether insurance scoring should be used with a qualified "yes." All but one state (Vermont) has taken legislative or regulatory action on the use of credit histories for insurance underwriting. The measures have varied widely, ranging from the introduction of a bill on the matter in the 2006 Pennsylvania legislature and the adoption of some or all of the provisions of industry-supported model legislation[9] in half the states, to state-specific legislative compromises and an outright ban.

On balance, states appear to have accepted a rationale for insurance scoring based on the promise of:

- greater consumer choice at lower cost, while safeguarding insurance customers from being unfairly disadvantaged.
- greater competition in the insurance industry, with more products at lower rates.
- streamlined rate filing with state insurance regulators, while reducing the risk of federal pre-emption of state insurance legislation.
- more robust statistical scoring models that benefit insurance carriers and customers. (A model with dozens of variables from multiple sources is better than a model with a handful of variables. Too few elements could force each variable to receive disproportionate weight.)[10]

The review of legislation found that less than one-third (28 percent) of all states had enacted specific statutory authority for the use of credit-based insurance scoring. Without such specific authority, the majority of states allow secondary use of credit history data, except Hawaii.

The Hawaii exception is noteworthy because the state's explicit prohibition succinctly captures many of the public policy concerns that all states must confront.

Hawaii's statute reads: ***Discriminatory practices prohibited.*** *No insurer shall base any standard or rating plan, in whole or in part, directly or indirectly, upon a person's race, creed, ethnic extraction, age, sex, length of driving experience,* ***credit bureau rating****, marital status, or physical handicap.*[11]

Indeed, all states do confront these issues but have found different balance points — some with the help of the industry-supported model legislation, others finding their own way forward. Chief among the concerns is ensuring sufficient consumer protections to prevent or mitigate potential discrimination in underwriting decisions, particularly against populations most likely to be disadvantaged by having uneven or undocumented credit histories (including but not limited to the youth, elderly and minorities).

No fewer than six states have conducted studies[12] on potential discrimination or "disparate impact" from this practice. The results have been mixed. A contested study from the state of Missouri concluded insurance scoring disadvantaged minority and low-income populations, while others (Texas and Washington) found the practices were largely neutral (given statutory and regulatory safeguards that were already in place). One state concluded that available data was insufficient to draw any conclusion.

Against that backdrop, states have acted. In exploring those actions, we are now able to move from the first to the second of the two questions that guide this briefing.

In the Balance

The way forward in the stewardship of these public records relies on finding an appropriate balance among competing legitimate interests, including:

1) The public's expectation that government would be a responsible steward of taxpayer assets while providing legal safeguards in the secondary use of public and commercial records.
2) The state-regulated casualty insurance industry reliance on multivariate analysis in underwriting decisions.
3) Government's operational and fiscal needs in meeting its public mission.

2) ***How:*** *If the answer to the first question is yes, under what circumstances should insurance scoring be authorized?*

By their actions, most state legislatures have answered the first question in the affirmative. Legislatures have also defined a number of conditions that begin to set the parameters under which the use of insurance scoring for casualty underwriting is acceptable.

It has become commonplace for auto insurance providers to use credit reports, usually in combination with driving records held by state governments, to assess risk and set premiums. Eighty-eight percent of all states have imposed limitations or regulations on credit history use in insurance underwriting. Significantly, credit histories alone are insufficient to meet the legislative requirements in two-thirds (66 percent) of all states.

Public Records Stewardship

THE PUBLIC RECORD
Public records databases are developed at significant taxpayer expense for legitimate government purposes in fulfilling public missions.

PRIVATE VALUE
Public records databases are commercially valuable and made available to commercial operators at no or low cost. The economic value accrues through secondary use and primarily benefits the commercial operators.

PUBLIC VALUE
Through per-record charges for DMV and other select records, some states attempt to extract value in exchange for providing public records for commercial operators. These revenue streams support the public good, sometimes dedicated to a particular program and sometimes revert to the general fund.

IMPACT OF DISPLACEMENT
With the displacement of driving history records, these revenue streams dry, putting the sustainability of the public good they supported in jeopardy.

Source Requirements

To fully unpack the necessary preconditions for acceptable insurance scoring, it is useful to ask a more specific question: *If permitted, should credit reports alone be used, or should driver records be required along with credit reports?*

The available evidence argues for a strategy where credit reports would not be the sole determinant in insurance scoring. A "both/and" approach that includes driving histories appears entirely consistent with the objectives of multivariate statistical risk ratings:

- Consider, as noted, that two-thirds of all states prohibit the use of credit scores by themselves in underwriting decisions, indicating an unwillingness to have state-regulated insurance carriers rely exclusively on a single source and kind of data for making equitable decisions.
- Consider, as noted previously, the affirmation by the Insurance Institute for Highway Safety of driving records as "one of the best predictors of a driver's future crash risk."
- Consider that using only credit histories as the sole determinant denies decision-makers and the statistical models on which they rely the uniquely authoritative and direct record of the driver's actual history behind the wheel.
- Consider that, in the absence of driving records, too much weight may be applied to variables that provide only indirect reflection of the insurance risk of a given driver.
- Consider that driver records contribute to more robust statistical scoring models that benefit insurance carriers and customers. By the insurance industry's own rationale, a model with dozens of variables from multiple sources — including driving history records — is better than a model with a single type or source of data.

State restrictions on the use of credit records as the sole source of data for statistical modeling preserve a place for the continued use of driving history records in insurance underwriting. Moreover, the sole source restriction serves as the cornerstone for other measures intended to prevent discrimination and protect consumers, but it is different in one important respect; namely, that it alone addresses *which* data is to be used in underwriting decisions — the others address *how* that data is to be used.

Use Restrictions

Washington is representative of the states with the most stringent restrictions. The 2002 legislature prohibited cancellations and non-renewals based wholly or in part on credit histories, but allows credit histories to be used alone in ratemaking. In Washington, an insurer may not cancel or "non-renew" coverage based on credit score. An insurer may, however, use the credit score to deny initial coverage, so long as other "substantive underwriting factors" are also used in the denial (that is, driving record, type of car, miles driven, and the like). And while carriers may use credit scores in the ratemaking process, any use of a credit score that results in an "adverse action" against a consumer (e.g., a policy holder's rates increase) must be followed by a letter of explanation to the consumer.

The tight restrictions in Washington and six other states include consumer protections common to a wider group of 29 states, many of which rely on a less restrictive regime of filing, notification and dispute resolution after the fact. A handful of states have legislated specific prohibitions on using credit scores to justify non-renewals (16 percent of states), make initial underwriting decisions (14 percent of states) or setting rates (10 percent of states), but only one state (Maryland) has all three.

Specific consumer protections intended to prevent discrimination and safeguard negative ratings after a catastrophic medical or other life-changing event reflect the most common concerns voiced by consumer and public policy groups representing the young, elderly and minority communities. That said, just over half of states (58 percent) have explicit, stand-alone, anti-discrimination measures. Far fewer states (18 percent) have provisions that specifically address catastrophic life events. A number of states also require insurance companies to provide nondiscriminatory alternatives in making underwriting decisions for the 10 percent of Americans who do not have credit histories.[13]

Other key characteristics of the industry-supported model legislation include state adoption of measures which require insurance carriers to:

- notify prospective policyholders at their time of application whether and how credit history information will be used in underwriting or rate-setting (70 percent of states have this or a similar provision).
- notify applicants and policyholders of adverse action based on something in the credit record (78 percent of states do).[14] For example, notification is required if the consumer did not receive the best available insurance rate, and has heightened awareness and sensitivity to otherwise obscure and unseen industry practices.
- provide policy holders with means to correct errors and resolve disputes (72 percent of states have such a provision in place).
- meet enhanced filing requirements (68 percent of states do), including filing their underwriting models with state insurance regulators (40 percent of states do) and demonstrate the actuarial soundness of those models (10 percent of states do).

It is important to note that these provisions are not exclusive to the model legislation.

These sometimes extraordinary provisions are legislative means to promote and protect consumer interests by placing rules around the use of credit history records with a view of putting them more on par with driving history records, which require no such legal remediation before use.

Expiration Dates & Data Relevance

A final note on the use of credit reports: nearly half (48 percent) of all states have specific provisions to ensure the timeliness of credit histories when they are used for insurance scoring. Maryland bans the use of credit scores in auto underwriting on existing business. Washington state regulations would prohibit use if the updated history is less favorable than prior history. In a handful of states, insurers are required to use credit reports within a limited period after they are pulled. A larger group of states take a different approach to reach a similar end by requiring credit data (on which insurers rely) to be refreshed every 36 months.

Some insurers, who are the customers of this commoditized data, are now expressing a preference for credit histories over driving histories. Their stated concern is that driving records are incomplete because of data entry backlogs, coupled with the fact that not all driving incidents are caught nor documented.

The result of years of under-funding is catching up with the public agencies that originate and maintain driving records. Data entry backlogs make many driving-related records incomplete, in contrast with credit information that appears breathtakingly comprehensive as to every charge and payment. Still, it is worth noting that the Insurance Institute study found that "diversion programs in some jurisdictions substantially reduce the utility of public driver records as reliable indicators of prior traffic violations and future crash risks," but it concluded that, "Record keeping inefficiencies and errors were less important factors in this study."[15]

This presents the insurance industry and government with a Faustian choice between an incomplete public record of driving histories, which otherwise have a direct, causal relationship to predicting future driving behavior, and apparently more complete credit histories that have only an indirect correlation to insurance risk. Moreover, the industry's stated preference for accuracy appears to be at odds with the industry's tolerance for credit data that can be as old as three years, thereby completely omitting the period of time most likely to be predictive of future behavior.

The dilemma is summarized by a major insurance provider in an educational article prepared for its customers and prospects. "Some consumer rights advocates … remain skeptical of insurance scoring because no one can definitely show how having bad credit makes someone a worse driver or home owner," the report states succinctly.[16]

Having reviewed key characteristics of insurance scoring across the 50 states, and having answered the questions of "whether" and "under what circumstances" credit records can be used in underwriting insurance, the briefing paper now considers a third question that points to a sleeper issue that governments should be wary of.

3) ***To What Effect:*** *What is the effect of full or partial displacement of driving records on state governments' fiscal posture and operations?*

The fees from the sale of access to public records could be dismissed as a rounding error in the grand scheme of things. That would be a mistake. The grand scheme of things may have changed forever, but not necessarily for good. Budget writers in state governments do not need to be reminded of the bruising public sector revenue recession in the opening years of the 21st century. The post-recovery hike in sales tax revenues has done nothing to dissuade veteran observers David Osborne and Peter Hutchinson from their prediction of a looming "age of permanent fiscal crisis."[17] The core of their argument is that the most recent recession was not cyclical but structural, even as systemic budget pressures of health care and education outstrip revenue growth during the recovery.

Recent data from the National Governors Association and National Association of State Budget Officers indicates any cyclical rebound has been insufficient to return state governments to the good old days. Their joint *Fiscal Survey of the States* documents dwindling year-end balances across the 50 states:

Total balances are declining. Balances totaled $26.9 billion or 5.5 percent of expenditures in fiscal 2004; $23.8 billion or 4.5 percent expenditures in 2005; and $20.5 billion or 3.8 percent of expenditures in fiscal 2006. By comparison, total balances peaked in fiscal 2000 at $48.8 billion, or 10.4 percent of expenditures.[18]

The rainy day funds in most states remain tapped, and deep cuts made during the recession have not been restored.

Against that background, fees from the sale of access to public records take on greater strategic significance because they provide some degree of flexibility and take pressure off the general fund. However, there are indications that the rise of credit-based insurance scoring is jeopardizing a modest yet substantial revenue stream that is needed now, more so than at any other point since the digitization of public records.

Displacement Effects in Iowa

The state of Iowa may be the canary in the coal mine on this issue. Iowa has seen a 25 percent year-over-year decline in the volume of driving history records going to large commercial users (including insurance carriers and the information resellers that supply them with public records). The state has mitigated the losses in its batch processing to big clients by increasing the volume of individual transactions for smaller, specialized purposes. Holding the losses to only 17 percent (as the state has managed to do through these efforts) is only good news if the problem is not structural — but it is. As goes the batch off-time processing and real-time transactions to the largest commercial users, so goes a modest but important safety valve for the general fund. The general fund receives a $5.50 fee per record from these transactions in Iowa.[19]

The formula for understanding the stakes in the shift to credit-based insurance scoring is straightforward: multiply that fee by millions of records, subtract a full quarter of that amount and enter the remainder in the state coffer.[20]

It does not have to end that way.

Conclusion: Histories are Not What They Used to Be; Neither is the Future

The record speaks for itself. Driving histories work. Credit histories can be made to work.

The public is served well when driving histories are used as the uniquely authoritative and predictive record in all aspects of ensuring public safety on the road — including qualifying insured drivers. State legislatures have carved out a place for credit histories in making those determinations, but most have prevented their exclusive use in making those calls, with important exceptions.

The considerable legislative intervention on behalf of credit history records has created a framework for supporting multivariate analysis of complex, predictive problems in the competitive business of insurance underwriting. Given contemporary statistical modeling, the public and insurance carriers are best served by multiple sources in multivariate analyses.

The use of credit history information in making insurance underwriting and rate-setting decisions remains a controversial but increasingly mainstream practice in the insurance industry. Importantly, because most states have encouraged or required the use of both driving histories and credit histories for certain (but not all) underwriting functions, there may be no need to reconcile friends.

The challenge and opportunity lies in the unaddressed gaps, where the competing legitimate interests converge — those of the public, the state-regulated casualty insurance industry and government's legitimate operational and fiscal needs. States, with the involvement of the insurance industry, have worked to address public policy concerns raised through the use of credit histories for secondary purposes not directly tied to granting credit, and that may disadvantage consumers seeking to be insured. At the time, the fiscal effect of ending the government monopoly as the exclusive supplier of risk-related data from public records was less obvious, as was the shift to risk-related data, owned and controlled by the private sector. Moderating this pendulum and coming to rest in a middle position is both reasonable and prudent; the middle and sustainable position is one of giving consideration to the requirement of using both driving history records and credit histories for automobile casualty insurance underwriting purposes.

To meet its public safety mission, to ensure integrity in underwriting practices and to avoid economic harm to the public treasury, state governments would be well served in making renewed commitments to the stewardship of driving history records as a vital public asset.

Endnotes

[1] Insurance scoring, or the use of credit history data as an underwriting tool, has become increasingly common in automobile and property underwriting, but the former is the focus of this briefing.

[2] Center for Digital Government, summary data of annual record volume (driver's license histories) for the state of Iowa, March 2006.

[3] Wikipedia helpfully defines a public record as "information that has been filed or recorded by public agencies, such as corporate and property records. They are maintained by the government and many are accessible to the public either free-of-charge or for an administrative fee. Availability is determined by federal, state, and local regulations." (See the full definition of public records at http://en.wikipedia.org/wiki/Public_records)

[4] A.T. McCartt, M.G. Solomon, Insurance Institute for Highway Safety, "Tracking traffic citations through court adjudications to posting to public driver records," *Traffic Injury Prevention* (Archival journal published by Taylor and Francis, Inc.), June 5, 2004.
(Abstract available at http://www.ncbi.nlm.nih.gov/entrez/query.fcgi?cmd=Retrieve&db=PubMed&list_uids=15203942&dopt=Abstract)

[5] The term that describes statistical, mathematical, or other techniques that consider multiple variables simultaneously.

[6] Testimony of Jeffrey A. Skelton, ChoicePoint, Detroit, Michigan, July 17, 2002, p. 2.

[7] "Insurance Scoring in Personal Automobile Insurance - Breaking the Silence", *Conning Report,* Conning, (2001).

[8] Skelton, Op Cit., p. 4.

[9] The National Conference of Insurance Legislators (NCOIL) has promulgated model legislation to allow for liberalized use of credit data in insurance underwriting. The NCOIL model has shaped or influenced the statutory framework in half the country, as Figure 1 illustrates.

[10] Skelton, Op Cit, p. 7.

[11] Hawaii Revised Statutes, 431:10C-207. Emphasis added.

[12] Maryland, Michigan, Missouri, Texas, Washington and one commissioned by the 2005 Legislature in Wisconsin.

[13] Fair Isaac, *Credit Underserved Population,* 2006.

[14] There is an element of federal preemption that overrides state provisions in some cases. If credit scores are allowed and if they are a deciding factor in an underwriting or ratemaking decision, the federal Fair and Accurate Credit Transactions Act of 2003 (FACT) requires the insurer to notify the individual that the credit report was used.

[15] McCartt and Solomon, Op Cit.

[16] Bank of America Insurance Services, Inc., "How Your Credit History Affects Your Auto and Home Insurance Premiums," Learning Center, Educational Articles. (http://www.bankofamerica.com/insurance/index.cfm?template=ins_learn_articles&context=history).

[17] David Osborne and Peter Hutchinson, *The Price of Government: Getting the results we need in an Age of Permanent Fiscal Crisis*, New York, Basic Books, 2004.

[18] National Governors Association and National Association of State Budget Officers, *The Fiscal Survey of the States,* June 2005, p. 9.
(http://www.nasbo.org/Publications/fiscalsurvey/fsspring2005.pdf)

[19] See footnote 2.

[20] For states where driver history revenues directly support one or more agencies rather than accruing to the general fund, this is still a general fund issue because the activities of those agencies must be proportionately curtailed, or the shortfall must be made up from the general fund.

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